

Message Text

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PAGE 01 STATE 191171
ORIGIN NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 AGRE-00 SIG-03 DODE-00
PM-05 H-01 L-03 NSC-05 PA-01 SS-15 HA-05 SSM-03
OES-09 SAA-01 /112 R

DRAFTED BY NEA/RA:HAENGELBRECHT/WBDOZIER:KMS
APPROVED BY NEA - VELIOTES
S/P - TMORAN (DRAFT) . -
AID/NE/JLS - RBURNS (DRAFT)
AID/NE/JLS - BRICHARDSON (DRAFT)
AGRIC - WSSTEELE (SUBS)

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R 282042Z JUL 78
FM SECSTATE WASHDC
TO AMEMBASSY AMMAN
AMEMBASSY BEIRUT
AMEMBASSY CAIRO
AMEMBASSY DAMASCUS
AMEMBASSY TEL AVIV
INFO AMEMBASSY ABU DHABI
AMEMBASSY ALGIERS
USINT BAGHDAD
AMEMBASSY DOHA
AMEMBASSY JIDDA KUWAIT
AMEMBASSY MANAMA
AMEMBASSY TEHRAN
AMEMBASSY TRIPOLI
AMEMBASSY TUNIS

C O N F I D E N T I A L STATE 191171

FOR EMBASSY, AID AND FAS

E.O. 11652:
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TAGS: EAID, ECON, PDEV, PFOR, XF

SUBJECT: STUDY OF ECONOMIC IMPLICATIONS OF MIDDLE EAST
PEACE

REF: STATE 181899

1. IN CONNECTION WITH THE STUDY DESCRIBED IN REFTEL, DEPARTMENT AND OTHER AGENCIES WILL REQUIRE SOME ASSISTANCE FROM POSTS. WE ALSO EXPECT THAT SOME FACTFINDING TRAVEL TO THE AREA WILL BE UNDERTAKEN FROM WASHINGTON BY BOTH USG OFFICIALS AND CONTRACTOR PERSONNEL. WHILE EVERY EFFORT WILL BE MADE TO MINIMIZE EXTRA WORKLOAD OUR REQUESTS FOR DATA AND ASSISTANCE MAY ENTAIL, WE WILL GREATLY APPRECIATE POST COOPERATION IN THIS EXERCISE.

2. THE PURPOSE OF THIS INTERAGENCY STUDY, WHICH WAS TASKED BY PRM 39, IS TO PREPARE A THOROUGH ANALYSIS OF THE ECONOMIC ISSUES RELATED TO A PEACE SETTLEMENT AS WELL AS AN APPRAISAL OF REGIONAL DEVELOPMENT POSSIBILITIES. WE ARE SEEKING TO PRODUCE A COHERENT, COMPREHENSIVE STUDY WHICH WILL BOTH SUPPORT THE NEGOTIATING PROCESS AND IDENTIFY REGIONAL PROJECTS THAT MIGHT BE IMPLEMENTED AFTER A SETTLEMENT IS REACHED.

3. WE ARE OF COURSE AWARE THAT THE ARABS HAVE GENERALLY INSISTED THAT A PEACE SETTLEMENT COME BEFORE SERIOUS DISCUSSION OF REGIONAL COOPERATION. AT THE SAME TIME IT IS CLEAR THAT CONFRONTATION STATES, INCLUDING ISRAEL, EXPECT ECONOMIC DIVIDENDS TO FLOW FROM A SETTLEMENT. CERTAIN ARAB LEADERS HAVE IN FACT INDICATED THAT THEY WOULD BE PREPARED TO CONTRIBUTE TO A REGIONAL DEVELOPMENT

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PROGRAM AFTER A SETTLEMENT. AT AN APPROPRIATE TIME WE WILL WANT TO INVOLVE OTHER COUNTRIES, INCLUDING PROSPECTIVE DONORS.

4. SINCE THE NATURE, TIMING AND CONTENT OF A PEACE SETTLEMENT IS UNKNOWN, THE STUDY WILL BE STRUCTURED TO TAKE INTO ACCOUNT ALTERNATIVE TIME FRAMES FOR THE ACHIEVEMENT OF PEACE AND THE LIKELY EVOLUTIONARY NATURE OF THE RELATIONSHIP BETWEEN THE COUNTRIES CONCERNED. WITH REGARD TO PART III OF THE WORK OUTLINE (BELOW), WE PLAN TO IDENTIFY PROJECTS, EXAMINE PRIORITIES AND ESTIMATE COSTS IN THIS STUDY, LEAVING DETAILED PREPARATION OF SELECTED PROJECTS FOR A SECOND PHASE.

5. CONGRESSIONAL INTEREST IN SUBJECT IS KEEN AND WE HAVE BRIEFED SEVERAL KEY MEMBERS. FY 79 FOREIGN AID BILL IS IN FACT EXPECTED TO MANDATE A STUDY AND EARMARK FUNDS FOR REGIONAL COOPERATION. WE THUS EXPECT FACT OF STUDY EVENTUALLY TO BECOME GENERALLY KNOWN. FOR GUIDANCE IN DEALING WITH INQUIRIES SEE REFTEL. (FYI: CHARGES WILL INEVITABLY BE MADE THAT THIS EXERCISE IS DESIGNED "TO BUY OFF" THE ARABS. IN RESPONSE, YOU CAN SAY MOST

EMPHATICALLY THAT IT IS NOT SO INTENDED BUT RATHER IS A LONG OVERDUE EFFORT TO ANALYZE THE ECONOMIC SIDE OF THE ARAB/ISRAEL CONFLICT AND TO DO SOME ADVANCE PLANNING ON REGIONAL DEVELOPMENT POSSIBILITIES.)

6. THE STUDY OUTLINE FOLLOWS:

I. IMPACT OF A PEACE SETTLEMENT ON ISRAEL, EGYPT, SYRIA, JORDAN, LEBANON

A. STATE OF THE ECONOMIES

1. DEVELOPMENTS IN COUNTRY ECONOMIES SINCE 1973
 2. CURRENT DEVELOPMENT PLANS AND PROSPECTS
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3. BALANCE OF PAYMENTS OUTLOOK AND PROJECTED FINANCING REQUIREMENTS

B. INTERNALLY GENERATED ECONOMIC BENEFITS FROM PEACE

1. SAVINGS FROM DEMOBILIZATION - CAPITAL AND MANPOWER
2. IMPROVED CLIMATE FOR FOREIGN PRIVATE INVESTMENT

C. EXTERNALLY GENERATED ECONOMIC BENEFITS FROM PEACE

1. IMPROVED CLIMATE FOR INCREASED TOURISM
2. MOBILITY OF FACTORS OF PRODUCTION - LABOR, CAPITAL, AND TECHNOLOGY
3. SUSPENSION OF ECONOMIC WARFARE AND RESTORATION OF TRADE AND OTHER EXCHANGES BETWEEN ISRAEL AND THE ARAB STATES

II.. ECONOMIC ISSUES WHICH RELATE DIRECTLY TO THE PEACE NEGOTIATIONS

A. ECONOMIC PROFILE OF WEST BANK/GAZA

1. CURRENT STATE OF WB-G ECONOMIES
 2. DEVELOPMENT MODEL FOR WB-G, INCLUDING AGGREGATE AND SECTORAL GROWTH OVER NEXT DECADE AS WELL AS INVESTMENT AND EXTERNAL ASSISTANCE REQUIRED TO ACHIEVE GROWTH TARGET.
 3. CAPACITY TO ABSORB REFUGEES AND THEIR PROPENSITY TO RETURN
 4. TRADING AND ECONOMIC LINKS TO JORDAN, ISRAEL AND OTHER STATES
 5. ADMINISTRATION OF PUBLIC SERVICES AND DEVELOPMENT PROGRAMS DURING TRANSITION PERIOD
 6. ECONOMIC STEPS THAT MIGHT BE TAKEN DURING A FIVE-
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YEAR TRANSITION PERIOD

B. COMPENSATION

1. ISRAELI EXPLOITATION OF SINAI OIL FIELDS (CLAIMED BY EGYPT)
2. RECONSTRUCTION OF KUNEITRA (CLAIMED BY SYRIA)
3. RECIPROCAL REQUESTS FOR PROPERTY AND PERSONAL POSSESSIONS LOSS

C. POSSIBLE SPECIAL ASSISTANCE TO ISRAEL RELATING TO A PEACE SETTLEMENT

D. REFUGEE RESETTLEMENT (BOTH WITHIN WB-G AND WITHOUT)

III. REGIONAL DEVELOPMENT POSSIBILITIES

A. INTEGRATED TRANSPORTATION AND COMMUNICATION NETWORK

B. SCIENCE AND TECHNOLOGY

1. REGIONAL INSTITUTES TO SERVE BOTH ARAB AND ISRAELI NEEDS, AND RELATED EXCHANGES OF PERSONNEL
2. COOPERATION IN HEALTH, EDUCATION, SOCIAL SCIENCES, ALTERNATIVE ENERGY, APPROPRIATE TECHNOLOGY, AND OTHER FIELDS OF SCIENCE AND TECHNOLOGY
3. JOINT PROJECTS AND RESEARCH IN POLLUTION CONTROL IN COMMON WATERS, WEATHER FORECASTING AND CONTROL, MINERALS DEVELOPMENT, OCEANOGRAPHIC STUDIES, AND OTHER ENVIRONMENTAL AREAS

C. WATER SHARING AND DEVELOPMENT

1. JOINT DESALINATION PROJECTS AND SHARING OF DESALINATION TECHNOLOGY
 2. COOPERATION IN THE DEVELOPMENT OF REGIONAL WATER
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RESOURCES

D. INDUSTRY, MINING, AGRICULTURE, AND TOURISM

1. COOPERATION IN EXPLOITATION OF POTASH AND OTHER DEAD SEA MINERALS
2. NATURAL GAS PIPELINE FROM THE PERSIAN GULF TO

MEDITERRANEAN STATES

3. DESERT LAND RECLAMATION AND CONTROL OF DESERT-
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4. SHARING OF AGRICULTURAL TECHNOLOGY

5. JOINT PROJECTS IN POWER GENERATION, THE ROLE OF
NUCLEAR POWER

6. REGIONAL INDUSTRIAL DEVELOPMENT

A. POSSIBILITIES FOR INDUSTRIALIZATION

B. SOURCES OF FINANCING

7. DEVELOPMENT OF REGIONAL TOURISM

E. FUNDING REQUIRED

TIMETABLE:

SEPT. 30, 1978 - INTERIM REPORT DUE IN NSC

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ORIGIN NEA-03

INFO OCT-01 ISO-00 /004 R

66011

DRAFTED BY:NEA/RA HAENGELBRECHT

APPROVED BY:WBDOZIER NEA/RA

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R 010115Z AUG 78

FM SECSTATE WASHDC

INFO AMEMBASSY RABAT 0000

C O N F I D E N T I A L STATE 191171

FOLLOWING REPEAT STATE 191171 ACTION AMEMBASSY AMMAN
BEIRUT CAIRO DAMASCUS TEL AVIV INFO ABU DHABI ALGIERS
BAGHDAD DOHA JIDDA MANAMA TEHRAN TRIPOLI TUNIS JUL 28.

QUOTE: C O N F I D E N T I A L STATE 191171

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